

MEMORANDUM

November 2003

MEMO TO: Council Members

THRU: Ronald S. Weinstein
County Auditor

FROM: Brenda Dean
Assistant County Auditor

SUBJECT: Howard Community College
Annual Financial Audit
FY 2003

We have received a copy of the Community College's annual financial audit report for the year ended June 30, 2003, performed by the Certified Public Accounting firm of Wooden & Benson, Chtd., and contracted and paid for by the College. Although they are a component unit of Howard County by virtue of the County's responsibility for levying taxes and its budgetary control over the College, they are required by law to obtain a separate audit. The audit gave an unqualified opinion on the College's financial statements and noted that the statements present fairly the College's financial position in conformity with generally accepted accounting principles.

A new section under GASB 34, **Management's Discussion and Analysis**, (pages 3-14), presents a narrative description of the financial activities of the College based on currently known facts, decisions, or conditions that impacted the College during fiscal year 2003. The information in this section is intended to assist you in assessing the financial position of the College and should provide information about significant changes that have occurred and an outlook on known conditions that may affect the College's financial position or operations in the coming years. The Management's Discussion and Analysis section states that the College's financial results are guided by the strategic planning and budget process and funds were allocated in the budget process to achieve specific initiatives. New programs and course offerings were developed to meet the changing needs of the students, increases to adjunct faculty pay were funded and accommodations were made to increase full time equivalent (30 hours of instruction) enrollment by 6.5%, including the opening of the new instructional laboratory building. In addition, renovations of the existing Athletic and Fitness Center were completed and design work for the new arts and humanities building began which will add approximately 78,000 square feet to the campus and will be completed in fiscal 2005. Design funds for the new

student services building were also obtained. For the year ended June 30, 2003, the College served approximately 9,200 credit and 13,600 noncredit students, an increase of 1,200 and 600, respectively, over the previous year.

I would like to point out two financial statements which are included in this section. On page 7, the **Statement of Net Assets** shows the College with total net assets of \$60,221,838. This is an increase of \$17,032,697 or 39% over FY 2002. This increase is primarily due to the additions to the new instructional buildings, facility renovation costs, and related appropriations receivable. Many of the changes in account balances are the result of activities involved with construction, billing and repayment of funding to the County for the State share of these projects. The capital receivable from the State of Maryland and the related increase in payables to the County of \$7,097,449 or 19378% were due to the funding and construction of the new building which was the primary addition in fixed assets which increased by 48%. Other material variances included a 330% increase in grants receivable at year-end due to late awards of federal assistance and spending of federal funds. The purpose of this statement is to present the College's financial and capital resources in one place.

The **Statement of Revenue, Expenses, and Changes in Net Assets** on page 10 identifies the College's operating revenue and expenses for the various programs and also shows the support the College receives from Howard County Government, the State of Maryland, and various Federal, State and local grant programs. It also shows the amount of capital appropriations from Howard County. Operating revenue increased \$1,486,300 or 10% due to a tuition increase while operating loss increased \$2,849,333 or 11%. I have summarized some additional information in the following paragraphs for your review.

The college had total revenues of \$62,563,705 of which \$22,695,832 or 36% were from Howard County. Expenditures totaled \$45,531,008 in FY 2003. This includes capital appropriations from the County of \$8,876,409. The college ended the fiscal year with an unrestricted fund balance of \$6,789,934 which includes auxiliary enterprise (\$825,241), continuing education (\$1,359,104), cultural, community and other funds (\$1,237,884), funds designated for construction and debt repayment (\$3,072,202) and a carryforward of \$814,537 to fund the estimated State cuts to the 2004 Operating Budget, net of \$519,034 of unfunded compensated absences. The Board of Trustees retains full control over unrestricted funds.

All full-time College employees participate in either the Maryland State Retirement and Pension Systems or an Optimal Retirement Program (ORP) primarily the Teachers Insurance and Annuity Association/ College Retirement Equities Fund (TIAA/CREF). The State of Maryland pays, on behalf of the College, the employer's share of retirement costs for teachers and related positions. During the fiscal year ended June 30, 2003, the State paid \$1,336,171 in retirement costs, equal to approximately 7% of the covered payroll costs. The College's share of retirement costs for other employees equaled \$150,429 or approximately 1% of the covered payroll.

We have attached two charts showing a breakdown of Operating, Non operating and Capital Appropriation revenues and expenditures for FY 2003 and FY 2002, as well as two graphs showing this same information. Some of the highlights of these comparisons are as follows:

Attachment 1 (chart)- Schedule of Revenues-Operating, Nonoperating and Capital Appropriations

- Net student tuition and fees totaling \$12,876,196 represented 77% of total operating revenues. This was an increase of \$1,125,415 over the previous year.
- Revenues received from the State of Maryland totaled \$9,514,709 or 21% of total operating and nonoperating revenues. This includes certain fringe benefits paid directly by the State of Maryland which totaled \$1,336,171. In FY 2002, \$9,118,203 was received or 22%. Of this amount \$1,200,316 was paid directly for certain fringe benefits.
- Revenue received from Howard County totaled \$13,819,423 or 49% of total nonoperating revenues. This was an increase of \$992,589 over the previous year.
- Revenue restricted for government grants and contracts totaled \$4,930,128 or 17% of total nonoperating revenues. This compares to \$4,748,153 received the previous year. Restricted revenues are recognized as the related expenditures are incurred.
- Auxiliary enterprises revenue totaled \$2,534,472 or 15% of total operating revenues. This is an increase of \$252,679 or 11% more than the previous year. Auxiliary enterprises operated by the College relate to the bookstore, cafeteria, and various vending machines.

Attachment 2 (graph) - Schedule of Revenues-Operating, Nonoperating and Capital Appropriations

Attachment 3 (chart) - Schedule of Operating Expenditures - FY 2003 & FY 2002

- Expenditures totaled \$45,531,008. This compares to FY 2002 expenditures of \$41,552,067 or a 9.6% increase.

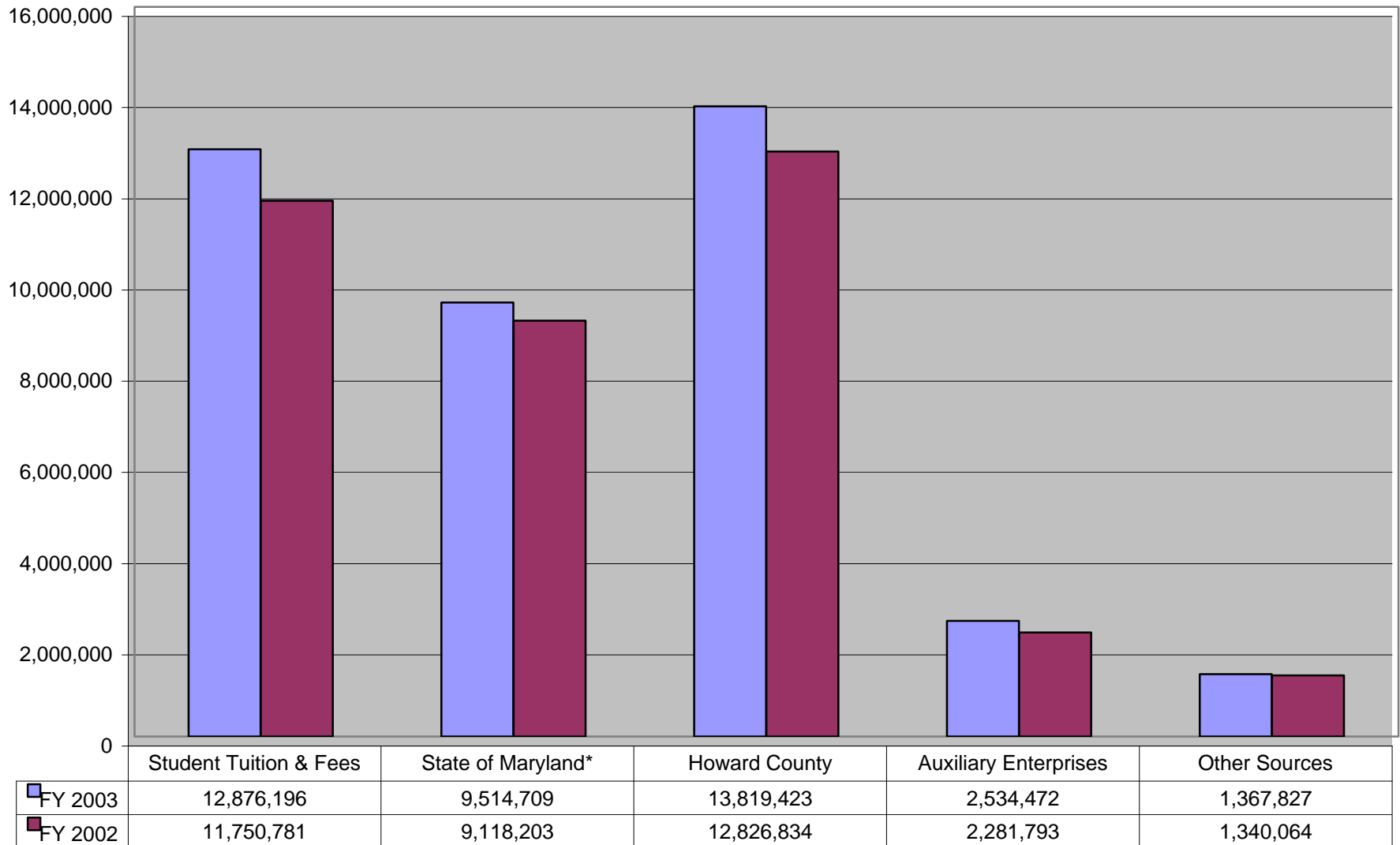
Attachment 4 (graph) - Schedule of Operating Expenditures - FY 2003 & FY 2002

Since there were no material exceptions noted by the auditors, no additional action is required by the County Council. If you need any additional information, please let me know.

Howard County Community College
Schedule of Revenues
July 1, 2002-June 30, 2003

	<u>2003</u>	<u>2002</u>	<u>Dollar Variance</u>	<u>Percentage Variance</u>
<u>Operating Revenue:</u>				
Student tuition and fees net of discounts, allowances and aid	\$12,876,196	\$11,750,781	\$1,125,415	10%
Cultural, community, and other programs	665,014	536,811	128,203	24%
Auxiliary Revenue	2,534,472	2,281,793	252,679	11%
Other Operating Revenue	<u>560,168</u>	<u>580,165</u>	<u>-19,997</u>	-3%
Total Operating Revenue -	<u>\$16,635,850</u>	<u>\$15,149,550</u>	<u>\$1,486,300</u>	10%
<u>Nonoperating Revenue:</u>				
Howard County	\$13,819,423	\$12,826,834	\$992,589	8%
State of Maryland	8,178,538	7,917,887	260,651	3%
State Grants and Contracts	1,083,039	1,061,130	21,909	2%
Federal Grants and Contracts	2,779,447	2,646,133	133,314	5%
Local Grants and Contracts	299,595	354,684	(55,089)	-16%
Other Grants and Contracts	768,047	686,206	81,841	12%
Certain benefits paid directly by the State	1,336,171	1,200,316	135,855	11%
Investment Income	163,147	246,174	(83,027)	-34%
Interest on debt to Howard County	<u>(20,502)</u>	<u>(23,086)</u>	<u>2,584</u>	-11%
Total Nonoperating Revenue -	<u>\$28,406,905</u>	<u>\$26,916,278</u>	<u>\$1,490,627</u>	6%
<u>Capital Approp from HC/State/Other</u>	<u>\$17,520,950</u>	<u>\$10,536,195</u>	<u>\$6,984,755</u>	66%
TOTAL REVENUE -	<u>\$62,563,705</u>	<u>\$52,602,023</u>	<u>\$9,961,682</u>	19%

Howard Community College Revenues



Howard County Community College
Schedule of Expenditures
July 1, 2002 - June 30, 2003

	<u>2003</u>	<u>2002</u>	<u>Dollar Variance</u>	<u>Percentage Variance</u>
Instruction	\$20,077,359	\$18,035,380	\$2,041,979	11%
Public Service	311,322	294,792	16,530	6%
Academic Support	2,952,845	2,727,132	225,713	8%
Student Services	3,972,115	3,786,828	185,287	5%
Operation and Maintenance of Plant	3,420,601	3,056,450	364,151	12%
Institutional Support	6,759,628	6,406,488	353,140	6%
Scholarships and Related Expenses	692,532	592,751	99,781	17%
Auxiliary Enterprises*	3,031,336	2,578,825	452,511	18%
Certain Benefits Paid Directly by the State	1,336,171	1,200,316	135,855	11%
Unallocated Depreciation and Retirements	<u>2,977,099</u>	<u>2,516,413</u>	<u>460,686</u>	18%
TOTAL EXPENDITURES -	<u><u>\$45,531,008</u></u>	<u><u>\$41,195,375</u></u>	<u><u>\$4,335,633</u></u>	11%

*Auxiliary enterprises operated by the College relate to the bookstore, cafeteria, child care center, and various vending machines

Instruction	20,077,359	18,035,380
Academic Support	3,264,167	3,021,924
Student Services	3,972,115	3,786,828
Oper & Maint of Plant	3,420,601	3,056,450
Institutional Support	6,759,628	6,406,488

Howard Community College - Major Category Expenditures

